SHRI P. R. KUMARAMANGALAM : I am happy to inform the hon. Member, who had been a Finance Minister himself. He knows how difficult the sector has been. It is an additionality and it is not a part of the normal Plan. In fact, what we, as Ministry of Power, are trying to do is to see whether we can use this Rs. 1000 crores to leverage it through subsidised loan-cum-grant system so that we can increase it to Rs. 4,000 crores. It is under discussion with banks and financial institutions. We have not yet completed the identification process because if it were not going to be leveraged, the amount available would be only Rs. 1,000 crores. Therefore, the number of projects would become less. We will also have to decide whether we are going to first target T and D and metering, or, we are going to target renovation and modernisation. I must, at this moment mention that the power sector has done reasonably well. Our national PLF level is now 68%, which is quite good, considering that the Eastern region, which has a surplus, has a lower PLF because they are not able to generate, as there is not much demand. If you look at it, minus the Eastern region, we are at the international standard. It is not that we are poor in that.

Mr. Chairman, Sir, I may, with your permission, submit that the target that we have set in the Power Ministers' Conference, for metering, is December, 2001. It is quite utopian because the time left to reach the target of 196 lakh thousand consumers by December, 2001, is quite a challenge. However, the Ministers were very optimistic. I had mentioned in the Conference that what they were talking seemed a great challenge. They said that if we were able to help them financially, they could do it. The Power Finance Corporation and all the financial institutions said, 'For metering, we would give money at earth cheap interest rate, even well below the normal rate of interest, because we know that meter gives us money back.' So, everybody was talking positive and the target date they set was 2001. If we can achieve that, power will take a tremendous positive turn in the next couple of years.

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*522.[The questioners (Shri Amar Singh and Shrimati Jaya prada Nahata) were absent. For answer *vide* page 23 *infra*]

*523. [The questioner (Shri Gandhi Azad) was absent. For answer vide page 24 *infra*].

Counter Guarantee of VTPP

*524. SHRI K. KALAVENKATA RAO : Will the Minister of POWER be pleased to state :

(a) whether the Central Electricity Authority has extended counter guarantee to the Visakhapatnam Thermal Power Project; and

(b) if so, by when the work on the project will start ?

THE MINISTER OF POWER (SHRI P. R. KUMARAMANGALAM) : (a) and (b) A Statement is laid on the Table of the House.

STATEMENT

(a) and (b) The Visakhapatnam Thermal Power Project (1040 MW) in Andhra Pradesh being promoted by M/s. Hinduja National Power Corporation Limited (HNPCL) has been accorded techno-economic clearance of Central Electricity Authority (CEA) on July 25, 1996 at an estimated completion cost of US $ 943.75 million+Rs. 1324.993 crores (@ 1 US $=Rs. 35.00). On 16-5-1998, Government approved extension of counter-guarantee to this project through a revised procedure. Counter-guarantee of Government of India has been issued to the project by the Government of India on August 19, 1998. CEA does not issue counter-guarantee but only Techno-Economic Clearance for projects. The promoters of the project are yet to achieve financial closure and commence construction activities.

SHRI K. KALAVENKATA RAO : Mr. Chairman, Sir, the counter-guarantee by the Government of India has already been extended but the reason, to my knowledge, for not starting the work is that it could not secure the financial closure. It appears that the financial institutions are prepared to issue the financial closure, provided Escrow account is opened in this respect. Mr. Chairman, Sir, unfortunately, it is not possible for the Government of Andhra Pradesh to allot a sizeable ESCROW capacity to a single project. Since it is a project which has been counter guaranteed by the Government of India, will the hon. Minister take up this issue with the financial institutions, and if necessary, with the good offices of the Finance Minister so that they should not insist on escrow account to provide the financial closure ? Sir, this is my first supplementary.

SHRI P. R. KUMARAMANGALAM : Sir, as I mentioned earlier, this matter was discussed in the Crisis Resolution Group because we are aware of the escrow itself. He is talking of future escrows. The present escrows have actually done very good but the cash flow is very poor. But assuming an improvement due to reform and reduction in D&T losses using some parameters, we would create an escrow capability in each SEB. The escrow capability of the Andhra Pradesh has been questioned by two or three financial institutions.

But I have taken it up and I wish to assure the hon. Member that we will address this question of escrow. He is right when he says that this particular counter guaranteed project has not been able to achieve financial closure. Today I understand that it is mainly due to the escrow problem. The Finance Minister and I are seized of the matter and we are addressing the issue.

SHRI K. KALAVENKATA RAO : Sir, there are two projects which are coming up in Visakhapatnam, one is Simhadri by the NTPC and the second is Visakhapatnam Thermal Power Project by Hindujas. The proposed installed capacity of Simhadra is 1000 MW and the proposed capacity of Hindujas' project is 1040 MW. Though they are almost equal in their capacity, the project cost of Hinduja Project is Rs. 5430 crores as compared to the cost of the Simhadre which comes to Rs. 4165 crores. Therefore, the Hinduja Project is at an excess cost of Rs. 1265 crores which is substantially on the higher side. Naturally this will influence the cost of power which they will supply to the APSEB. Since the cost of power has to be collected through the nose of the consumer, that is, general public, naturally our State is worried about it. Will the hon. Minister initiate some action to arrive at a reasonable solution with regard to the cost of this project ?

SHRI P. R. KUMARAMANGALAM : Sir, it is true that if one compares the NTPC Project at Simhadre and the private power project, the IPP Project at Vizag which is commonly known as Hinduja Project, one will see a substantial difference in the cost. But the reason also really does not stem only from the efficiency of the NTPC which does exist. But during the tender which we had for the international competitive bidding for Simhadre we got one of the best offers that we ever had on a turnkey project from the BHEL. It is extremely competitive and internationally recognised to be very competitive. The BHEL is, in fact, finding it a very tough job to meet the terms and conditions. But while that is so, it is important to mention that the financing package of Simhadre is a multilateral financing which comes at a very low rate of interest as well as it is guaranteed by the Government of India automatically as we do when it is a multilaterally financing system. Therefore, the cost on interest alone makes a substantial difference. I understand quite reliably that the Government of Andhra Pradesh is in discussion with the promoters of the private project for reduction in the cost. They have achieved substantial amount. I am informed that they would be informing us very soon about what they have managed to reduce the cost of the project both in terms of IPPC as well as in terms of actual hard cost. But moving ahead I must mention that we are keeping a careful eye and we are

willing to extend all support that the Government of Andhra Pradesh wishes to have from us in evaluation. The cost has also gone up essentially because of the increase in foreign exchange and also due to change in terms of lenders. The lenders in this particular case have come from foreign lenders to Indian lenders. Our interest rate from the Indian financial institutions is substantially higher. For power we are not getting attractive rates which often are available for power sector and other areas. We are negotiating hard with the financial institutions to get better interest rate. But, On the overall the cost should come down quite substantially to the satisfaction of the hon. Member.

SHRI N.K.P. SALVE : Sir, the hon. Minister is smiling..... *(Interruptions)*... The foundation stone of this Vizag plant, in the private sector, was laid five years ago. At that time, they had said that the only problem with them was with reference to deem generation related to railway transport of coal. And, if that was done, they had promised that within three months time, they would get the financial closure. The time has come when, for the eight fast-track power projects; a time frame must be fixed. May I know from the Minister as to how long are you going to allow the fast-track projects go slowly, as they have been going? Some of them are pending since 1993 and 1994. I understand the difficulties. But the time has certainly come—also, they are very expensive—when a time-frame has got to be determined beyond which, come what may, those projects will not come. You just refuse permission to them and cancel their licence.

SHRI P. R. KUMARAMANGALAM : As I said, really, there are only four projects. The first one is the Ib Valley Project of Orissa which is in an advanced stage and which, I think, could achieve financial closure very soon. The second one is the Bhadhravathi Project. With regard to this project, everything has been tied up for the same problem, which is really more because of a decision of the Maharashtra State Electricity Board as well as the Maharashtra Regulatory Authority. With regard to Vizag, the problem is one of Escow; the problem is one of financial ability of the State Electricity Board, with the cost having been negotiated down. I would say that it is only a small problem which could be sorted out. If it is done, fine. If it cannot, be obviously, the project cannot take off.

With regard to the position of the other projects, as I said, they have achieved financial closure. I agree with the hon. Member, but I do not want, today, to of hand announce a dead-line. But I think, the time has come when we need to tell, them, "Enough is enough. If you cannot do it, forget it. Let us, at least, look at some other power projects."

SHRI DIPANKAR MUKHERJEE : Sir, I have only one pointed question supplementing the original question that has been raised. It is regarding the cost of a power plant. Now, the time has come when, after eight or nine years, the cost of power is increasing. Whether the Minister will assure, apart from the interest part and other parts, that through I.C.A. or through some other agency, there has to be a standardisation of the cost of a power plant; whether it is thermal or hydel or whatever it is. The difference of 10 per cent or 15 per cent plus or minus can be negotiated by the State. It cannot be an open-ended thing, which is going on for the last ten years. The Government owes a reply to the people whether they are going to have a standard cost—you leave aside the interest—the basic power plant equipment cost because, internationally, the cost of power plants is becoming cheaper. The cost of power plants is becoming cheaper. The cost of power plants decreasing. But, in this country, in the developing countries, we find that the cost of power is increasing. Would you not like to have an agency like I.C.A. to standardise the cost and then give an allowance, say, plus or minus 10 per cent, to the State Government and other agencies ? Would you kindly do that ?

SHRI P. R KUMARAMANGALAM : In fact, when the Central Electricity Authority goes through a techno-economic clearance, it does it with a fine tooth comb; sometimes, a little too fine. My friend may not be happy with. But it is far better, when compared to many other places. With regard to EPC (Engineering Project Construction) cost, we have some level of standardisation in cost and I am happy to inform him that he is a little misinformed that costs are going up. In so far as coal-based thermal power plants are concerned, the cost has come down in India. But, insofar as gas-based power plants are concerned, we have found that the international market has taken and upward say and the cost has gone up because the demand for gas-based plants is extremely high in Western nations. They are replacing coal-based plants by gas-based plants. It is the situation, at present. But I must tell you that in hydro plants, it is difficult to do standardised costing because the cost factor for, what is called, electrical parts, or the EPC portion without the civil construction, is only about 30 per cent of the project. Seventy per cent of the project cost is site-specific, civil construction, which will differ from project to project, and has to be analysed. With regard to even thermal plants, there is a certain amount of site-specific work, civil work, but some amount of standardisation is possible there, and it does take place. The CEA has a list which shows how they have actually levelised, what I would say, to a great

extent, within a 10-15 per cent margin, which the hon. Member has been talking about, the cost of thermal power plant. But, as the CEA will always tell all of us, it is the ceiling level. They are not talking of a very competitive low level. In fact, we have found in the last couple of years that the State Electricity Boards, if they negotiate, are able to get better prices than the ceiling level. A lot of criticism comes from the independent power producers that the CEA is very hard on them. In fact, the CEA is quite liberal; it has not been very harsh.

SHRI C. RAMACHANDRAIAH : Sir, the work on most of the projects which have been claimed to be fast-track projects, as Mr. Salveji said, even after a lapse of 7-8 years, has not yet been started. At the international level, as Mr. Mukherjee said, the prices of power-generating equipments have gone down considerably, even by 40-50 per cent. So, in the light of this, ultimately, the project cost will influence the price of power and it has to be collected, as he said, through the nose of the consumers. Will the Minister devise a mechanism where the project cost, which has been negotiated at a higher level earlier, can be brought down, in proportion to the existing price of the equipment so that the cost of the project may come down?

SHRI P.R. KUMARAMANGALAM: Sir, ultimately, negotiations is not an answer because negotiations become subjective. That is why we have insisted that the EPC contract should be by international competitive bidding, in order to ensure that at least through competition, the prices could be brought down. In the case of Vizag, there was an ICB, there was an international competitive bidding. Of course, that was done long ago. Thereafter, negotiations have taken place. I do not know whether the EPC contract has agreed to the reduced price or not. I am waiting for the information. But what my hon. friend is saying, that the prices of equipments have gone down by 40-50 per cent, is not correct. I hope it were so. There is an old saying *"Insha Allah"*. But I doubt if that is really going to happen. Perhaps, God is not willing to that extent. But the fact is that, there has been a slight reduction, but whatever it is, it gets reflected in the tariff and is of use to the public. So, we have advised the State Governments that they do try and see that even in MOU projects, insofar as EPC is concerned, you have an international competitive bidding to ensure that you get the best price that is available.

SHRI PREM CHAND GUPTA: Mr. Chairman, Sir, it is a matter of pride and honour for us for having amongst us the energy man of the millennium—

the one and only, Shri Kumaramangalam, our energy Minister. Hon. Chairman, Sir, this honour has been conferred on him for his wonderful services extended in the field of energy!

AN HON. MEMBER: By whom?

SHRI PREM CHAND GUPTA: I do not know.

MR. CHAIRMAN: Please ask your supplementary.

SHRI PREM CHAND GUPTA: I read it in a newspaper.

Mr. Chairman, Sir, a very important question came up in this House, today, about the power situation. Very cleverly, the Energy Minister has been able to evade it.

Sir, during the last three years no new capacity has been added to the whole of Northern India, except for two small projects, one in Faridabad, and another one in Unchahar. One drought in two States, that is, Gujarat and Rajasthan, has proved to this nation what the consequences can be if we have another drought in this country.

Mr. Chairman, Sir, I want to know from the hon. Minister in very specific terms what additional capacity was planned for in the Eighth Plan and how much was actually installed.

MR. CHAIRMAN: This question does not arise out of this.

SHRI PREM CHAND GUPTA: Sir, it is regarding the power potential.

MR. CHAIRMAN: This question is about the counter guarantee.

. . . . *(Interruptions)* . . . .No.

SHRI PREM CHAND GUPTA: Mr. Chairman, Sir, it is related to this question.

Sir, we are worried about the power situation.

MR. CHAIRMAN: We are not on a general question. The question is

only on the Visakhapatnam Thermal Power Project.

SHRI PREM CHAND GUPTA: We are all worried about the power situation.

. . . . *(Interruptions)* . . . .

MR. CHAIRMAN: No, please.

SHRI PREM CHAND GUPTA: *

MR. CHAIRMAN: Please don't take down this question.

SHRI PREM CHAND GUPTA: It is not fair, Sir.

MR. CHAIRMAN: It is fair because you should ask a supplementary on the basis of this question. Your supplementary is not on this.

SHRI PREM CHAND GUPTA: I am sorry that we have a feeling in this House that we are being ignored. It is not fair.

MR. CHAIRMAN: For that, you give a separate notice. We can have a discussion on the general power situation.

Mr. Bhatt, do you have any supplementary to ask on Visakhapatnam?

. . . . *(Interruptions)* . . . .

SHRI BRAHMAKUMAR BHATT: The target fixed for the Ninth Plan was 45,000 MW. How much are they going to achieve?

. . . *(Interruptions)* . . . . This is very important.

MR. CHAIRMAN: You have a very important question. Mr. Gupta's question is also very important. Both are very important questions. But they do not arise out of this question.

Mr. Saifuddin, do you have a supplementary on Visakhapatnam?

SHRI SHARIEF-UD-DIN SHARIQ: Sir, my supplementary relates to counter guarantees.

MR. CHAIRMAN: No.

SHRI SHARIEF-UD-DIN SHARIQ: Sir, my question is about counter guarantees.

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*Not recorded.

MR. CHAIRMAN: No. No. Counter guarantee is a very general subject.

Mr. Narendra Mohan, do you have a supplementary on Visakhapatnam?

SHRI NARENDRA MOHAN: Sir, the Hinduja controversy has been there for a couple of years now. I want to know what the concept of a fast-track project is, if it cannot be property conceived. If the financial closure cannot be completed in five years' time, what time-frame does he want to give to a fast-track project?

Related to this, what is the cost overrun because of the delay in the time?

SHRI P. R. KUMARAMANGALAM: Sir, as I said earlier, the word "fast track" has become a misnomer. It has almost become superstitious. If anybody asks me if it is a fast-track project, I immediately say, "No, no." The moment the word "fast" is attached to it, it slows down substantially.

SHRI NARENDRA MOHAN: Do you define any fast track project?

SHRI P. R. KUMARAMANGALAM: It was actually supposed to be originally completed within a couple of years. But, then, that was the decision taken in 1991-92. I think, Mr. Salve, if I recollect, had a lot to do with the speed of these projects, initially. But, then, as the speed reduced, it lost its essense. There is an increase in cost of approximately Rs. 1,000 crores because of delay in this particular project. The ITC is going up and foreign exchange fluctuations are there.

SHRI NARENDRA MOHAN: Sir, my answer did not come. I would like to know from the hon. Minister whether the fast track projects are valid in this country. How do you define the fast track projects? Are you completely relinquishing the fast track projects?

SHRI P.R. KUMARAMANGALAM: I thought I answered.

MR. CHAIRMAN: He has already answered that question.

SHRI P.R. KUMARAMANGALAM: I said two years what it was originally conceived.

SHRI NARENDRA MOHAN: Are you wedded to it?

SHRI P.R. KUMARAMANGALAM: How can we be wedded to it? We have crossed eight years. It has become a misnomer.